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# Message Text

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11
ORIGIN EB-07

INFO OCT-01 EA-10 ISO-00 AGR-10 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01

OMB-01 L-02 PA-02 PRS-01 USIA-15 /069 R

DRAFTED BY EB/FTD:WCMIMS:HM
APPROVED BY EB/ORF/ICD:JINGERSOLL
EA - RIMUS
---------- 084543
R 282213Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY MANILA
INFO AMEMBASSY SEOUL
AMEMBASSY BANGKOK
AMEMBASSY TAIPEI
AMEMBASSY TOKYO

UNCLAS STATE 098548

E.O. 11652:N/A

TAGS: ETRD, RP, KS, TW, TH

SUBJECT: COTTON - WALL STREET JOURNAL

MANILA FOR JOSEPH WILLIAMS
TOKYO FOR EDMOND
1. APRIL 28 WALL STREET JOURNAL CONTAINS ARTICLE BY
SHIRLEY JACKEWICZ HEADLINED QUOTE US COTTON EXPORTERS
STRUGGLE TO SAVE SOME LUCRATIVE CONTRACTS IN THE FAR

EAST UNQUOTE. IMPORTANT PARAGRAPHS FOLLOW.

2. QUOTE U.S. COTTON EXPORTERS ARE STRUGGLING MIGHTILY TO
SALVAGE SOME LUCRATIVE CONTRACTS WITH FAR EASTERN MILLS
THAT WENT SOUR DURING THE WORLD-WIDE RECESSION.

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A GROUP OF EXPORTERS, PLUS SOME OFFICIALS FROM THE DEPART-
MENT OF STATE AND AGRICULTURE, ARE CURRENTLY IN THE FAR
EAST ON THE THIRD U.S. TRADE MISSION IN LESS THAN A YEAR.
THEY'RE TRYING TO PERSUADE TEXTILE MILLS IN SOUTH KOREA,

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TAIWAN, THE PHILIPPINES AND THAILAND TO PAY FOR AND TAKE
DELIVERY OF NEARLY 1.3 MILLION BALES OF COTTON (500
POUNDS EACH), AT A PRICE OF 370 MILLION DOLLARS.

DESPITE UNCLE SAM'S OFFER OF UP TO 230 MILLION DOLLARS
IN CREDIT, THE TRADE MISSION REPORTS THAT IT IS HAVING
TO DO SOME HARD HAGGLING. AMONG THE STICKING POINTS:
EXACTLY WHICH MILLS OWE HOW MUCH TO WHOM? WHEN WILL THEY

TAKE THE COTTON? HOW FAR WILL THE GOVERNMENTS OF THESE
COUNTRIES GO IN GUARANTEEING REPAYMENT OF THE LOANS AND
ARRANGING FINANCING FOR SHIPMENTS NOT COVERED BY U.S.
CREDIT?

MILLS IN THE FOUR COUNTRIES HAVE DELAYED SHIPMENT OF
ABOUT 870,000 BALES, COTTON EXPORTERS SAY. AN ADDITIONAL
40,800 BALES ARE DUE FOR DELIVERY THROUGH JULY. IT'S
ALL SITTING IN WAREHOUSES IN THE SOUTH, ACCUMLATING
CHARGES OF ABOUT 3 DOLLARS A BALE A MONTH FOR STORAGE,
INTEREST AND INSURANCE; SOME CONTRACTS CALL FOR THE MILLS
TO PAY THESE CHARGES IN ADDITION TO THE BASIC PRICE,
BUT OTHERS DON'T.

BY MID-1974, IT BEGAN TO APPEAR THAT SOME OF THESE
CONTRACTS MIGHT NEVER BE COMPLETED. QUOTE LAST JULY
WE WERE ALARMED, WE BECAME PETRIFIED IN NOVEMBER, AND
NOW ITS ALMOST MAY, UNQUOTE SAYS RUDI SCHEIDT, PRESIDENT-

ELECT OF THE AMERICAN COTTON SHIPPERS ASSOCIATION.

THE BAD WORD ARRIVED IN OCTOBER FROM THE U.S. AGRICULTURAL

ATTACHE IN TAIWAN. QUOTE TAIWAN TEXTILE MILLS HAVE NO
INTENTION OF HONORING THEIR CONTRACTS FOR AMERICAN
COTTON BECAUSE IT IS IMPOSSIBLE FOR THEM TO DO SO, UNQUOTE
HE WROTE IN A MEMO AFTER TALKINGTO A HIGH-LEVEL
GOVERNMENT OFFICIAL.
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QUOTE WE ARE AT WAR, AND WE MUST CONSIDER OUR SURVIVAL,
UNQUOTE NEAL GILLEN, GENERAL COUNSEL FOR THE COTTON
SHIPPERS' ASSOCIATION, TOLD THE GROUP'S DIRECTORS AT
YEAR-END.

THE COTTON SHIPPERS MOBILIZED BY FORMING ANOTHER TRADE
GROUP, COMPOSED OF COTTON EXPORTERS, WHICH THEN HIRED
A NEW YORK LAWYER WHO IS CURRENTLY ON THE TRADE MISSION.
THEY ALSO PLEADED THEIR CASE FORCEFULLY IN WASHINGTON.
EVENTUALLY, THEY SUCCEEDED IN GETTING THE EAR OF HIGH-
RANKING OFFICIALS IN THE AGRICULTURE AND STATE
DEPARTMENTS. AFTER THAT, THE CREDIT EXTENSIONS WERE
ORDERED AND THE MATTER GOT GREATER ATTENTION IN

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DIPLOMATIC CHANNELS.

THE TRADE MISSION SPENT LAST WEEK IN SOUTH KOREA AND IS SCHEDULED TO ARRIVE IN MANILA TODAY. THEY ARE DUE TO GO TO BANGKOK FRIDAY AND THEN WIND UP NEXT WEEK IN TAIPEI. HERE'S A BREAKDOWN OF THE SITUATION IN EACH COUNTRY:

SHIPMENT OF MORE THAN 72 PERCENT OF SOUTH KOREAN MILLS' ORDERS FOR 649,300 BALES IS PAST DUE. THE TRADE MISSION SENT WORD FRIDAY THAT AN AGREEMENT HAD BEEN REACHED, BUT

DETAILS WEREN'T IMMEDIATELY AVAILABLE. THE SOUTH KOREAN GOVERNMENT HAD BEEN RELUCTANT TO GUARANTEE REPAYMENT OF THE U.S. CREDITS BECAUSE OF THE COUNTRY'S ECONOMIC PROBLEMS. UNQUOTE

3. ARTICLE GIVES DETAILS OF SITUATION IN OTHER THREE COUNTRIES AND FINISHES BY QUOTING SCHEIDT AS SAYING THAT IN CASE OF THAILAND, HE HOPED QUOTE THE GOOD GUYS WILL HELP US TO GET AFTER THE BAD ONES UNQUOTE. KISSINGER

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# Message Attributes

**Automatic Decaptioning:** X
**Capture Date:** 26 AUG 1999
**Channel Indicators:** n/a
**Current Classification:** UNCLASSIFIED
**Concepts:** PRESS COMMENTS, COTTON, CONTRACTS
**Control Number:** n/a
**Copy:** SINGLE
**Draft Date:** 28 APR 1975
**Decaption Date:** 01 JAN 1960
**Decaption Note:**
**Disposition Action:** n/a
**Disposition Approved on Date:**
**Disposition Authority:** n/a
**Disposition Case Number:** n/a
**Disposition Comment:**
**Disposition Date:** 01 JAN 1960
**Disposition Event:**
**Disposition History:** n/a
**Disposition Reason:**
**Disposition Remarks:**
**Document Number:** 1975STATE098548
**Document Source:** ADS
**Document Unique ID:** 00
**Drafter:** EB/FTD:WCMIMS:HM
**Enclosure:** n/a
**Executive Order:** N/A
**Errors:** n/a
**Film Number:** D750149-0618
**From:** STATE
**Handling Restrictions:** n/a
**Image Path:**
**ISecure:** 1
**Legacy Key:** link1975/newtext/t197504104/baaaaifa.tel
**Line Count:** 131
**Locator:** TEXT ON-LINE, TEXT ON MICROFILM
**Office:** ORIGIN EB
**Original Classification:** UNCLASSIFIED
**Original Handling Restrictions:** n/a
**Original Previous Classification:** n/a
**Original Previous Handling Restrictions:** n/a
**Page Count:** 3
**Previous Channel Indicators:**
**Previous Classification:** n/a
**Previous Handling Restrictions:** n/a
**Reference:** n/a
**Review Action:** RELEASED, APPROVED
**Review Authority:** ShawDG
**Review Comment:** n/a
**Review Content Flags:**
**Review Date:** 10 JUL 2003
**Review Event:**
**Review Exemptions:** n/a
**Review History:** RELEASED <10 JUL 2003 by maginmm>; APPROVED <07 JAN 2004 by ShawDG>
**Review Markings:**

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EO Systematic Review
05 JUL 2006

**Review Media Identifier:**
**Review Referrals:** n/a
**Review Release Date:** n/a
**Review Release Event:** n/a
**Review Transfer Date:**
**Review Withdrawn Fields:** n/a
**Secure:** OPEN
**Status:** NATIVE
**Subject:** n/a
**TAGS:** ETRD, RP, KS, TW, TH, WALL STREET JOURNAL
**To:** MANILA INFO SEOUL
BANGKOK
TAIPEI
TOKYO
**Type:** TE
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

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